ULI DEVELOPMENT CASE STUDIES

Great Mall of the Bay Area

Milpitas, California

Project Type:
Commercial/Industrial

Case No:
C028002

Year:
1998

SUMMARY

A 1.2 million-square-foot value-oriented shopping center housed in a former Ford Motor Company assembly plant. The center contains 14 anchor stores and 201 in-line shops. Supplementing the outlet and off-price shops is an entertainment component of arcade and virtual reality games and five transportation-theme courts.

FEATURES

- Adaptive use of an industrial facility
- Entertainment component added to outlet mall
- "Racetrack" circulation system
- Tourist marketing

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SPECIAL FEATURES

- Adaptive use of an industrial facility
- Entertainment component added to outlet mall
- "Racetrack" circulation system
- Tourist marketing

DEVELOPER

A joint development of
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ARCHITECT

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THEME DESIGN

Space Design International
311 Elm Street
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513-241-3000

GENERAL DESCRIPTION

For 25 years the anonymous-looking industrial building in Milpitas, California, served up a menu of Ford automobiles: Mustangs, Falcons, Fairlanes, Cougars, Pintos, and Escorts. Its 2 million-square-foot plant employed 5,000 workers, catering to the demand of the post-World War II generation for cars. By 1983, however, the plant had closed, a victim of changes in consumer tastes and auto industry economics.

A decade later, in 1994, the stripped-down and retooled former Ford Motor Company San Jose Assembly Plant was rechristened Great Mall of the Bay Area, and it reopened for business as a value-oriented megamall. To accomplish that metamorphosis, all of the original out buildings and pieces of the main plant were removed, interiors were gutted, new mechanical and electrical systems were installed, and the building was seismically strengthened. A new, looping "racetrack" circulation system replaced the former assembly line, and the concrete tilt-up exterior walls were reskinned.

The conversion, which cost approximately $120 million and took 15 months to complete, provides for 14 anchor tenants (12 currently are in place) and 201 mall shops, including a 715-seat food court. For the most part, the mall contains outlet shops of manufacturers and major retailers and value-oriented, off-price retail stores. Some stores, however, are more traditional, crossing over from the standard regional mall format. In addition, following in the footsteps of the regional malls, Great Mall has embraced the entertainment/retail concept, introducing virtual reality and arcade game tenants and theme design revolving around the site's past association with transportation.

SITE AND DEVELOPMENT PROCESS

Great Mall is located in a low-density, suburban commercial/industrial area, approximately one-quarter mile east of I-880. The site is bordered on two sides by rail lines, one of few reminders of its industrial past. Nearby are business parks and research and development facilities. The site is accessed via the Great Mall Parkway exit of I-880, which was planned before the mall was developed but completed and renamed a year after its opening. Approximately 6 million people live within a 50-mile radius.

While the site generally was suitable for a major shopping center, the placement of the main building within the 147-acre site was less so. Parking areas were available on all four sides of the building, but the potential parking field on the main entrance side was too narrow. To deal with this, "surgery" was required, and the southwest corner of the assembly plant was sheared off. Conversely, in some locations, the plant building had to be enlarged to provide sufficient depth for anchor tenants.

As Timothy J. Ridner, Ford Motor Land Development's western region development and operations manager, summarized the process, the adaptive use of the plant entailed "a little addition and a lot of subtraction." In all, about 500,000 square feet of space was demolished to make way for the mall. Much of this material was recycled within the project: 150,000 tons of concrete and asphalt were crushed and reused for walkways and parking lots; hundreds of miles of piping were melted down; and more than 12,000 tons of iron, tin, copper, and aluminum were recycled off site.

Soon after the assembly plant closed in 1983, the site was sold to a developer who intended to convert the building to high-tech, R&D office use. The venture did not succeed, and in 1987, Ford Motor Land Development Corporation bought back the facility. Several uses were considered for the site: office use was rejected because of market conditions, and a regional mall was rejected because of existing competition.

The idea of value-oriented shopping, whose viability had been established in several locations around the country, made the most sense; the South Bay market was huge, and there was little real competition in that category. Studies confirmed the feasibility of the idea, and the required environmental impact statement, which used the former 5,000-person assembly plant as a comparison, cleared the way for construction.

The city of Milpitas supported the retail concept for the site and assisted financially by providing needed off-site improvements. Street widening and other traffic-related improvements were required, which cost approximately $8.5 million in total. The project otherwise was privately developed and financed.

PLANNING AND DESIGN

While the high ceilings and open structure of the assembly plant were conducive to the development of a shopping mall, given the plant's age and current building code requirements, significant upgrading was required.

Several structural, improvements were necessary, some of which were planned, some not. An initial round of seismic improvements was undertaken as part of planned construction, and the walls and ceilings were "buttoned up" as scheduled. Then the Northridge earthquake of January 1994 occurred, and the city of Milpitas called for further testing and analysis of the assembly plant structure. Substantial additional seismic reinforcing of the steel structure was required, necessitating removal of a major portion of the finish work, lead paint abatement (the paint previously had been encapsulated by the finish work), and round-the-clock construction in order to meet the project's pre-Christmas season, September 1994 opening.

A second area of work was environmental remediation. More than 140 pits leftover from the assembly plant operation had to be cleaned and filled under the purview of environmental agencies. In addition, because the site was located above an aquifer, the regional water authority required remedial drainage work to ensure that the project would not contribute to the degradation of the water supply.

A third area of remedial work was roof repair. Detailed inspection revealed that substantial portions of the metal roof deck were corroded, requiring considerably more roof replacement than initially was budgeted for.

The exterior skin of the plant building, while sound, was not considered attractive enough for a shopping mall. The original walls were concrete tilt-up panels with punched windows. The original base course of concrete panels (approximately eight feet high) was retained; the remaining panels were removed and replaced with a metal stud structure. The resulting concrete and metal stud wall was then finished with a combination of synthetic stucco and painted, corrugated metal panels.

Five major entrances were created, each tied to the theme of the court within. The five themes—"Great Autos," "Great Railroads," "Great Ships," "Great Planes," and "Great Eats"—are called out with tall space-frame structures with large graphic panels. Additional portals and graphics identify each of the anchor tenants.

The interior courts were designed to create landmarks for visitors to use to orient themselves and to provide areas in which they can rest at intervals along the racetrack circulation spine. The theme of each court is carried out in exhibit design, seating, lighting, and graphics. The focal point of the Great Autos court, for example, is a restored 1957 Ford Skyliner on a rotating platform. Every 15 minutes the car's soft-top roof rises up and folds into the trunk and then returns to its original position. Supporting elements include seating groups composed of bucket and bench-style car seats; original Coke machines; 1950s-style gasoline pumps; and other period details. Storefronts along the Great Autos court tie into the theme through the use of forms, patterns, and colors typical of the 1950s. Similar coordinated theme environments are provided for the Great Railroads, Ships, and Planes courts, as well as the Great Eats food court, which includes elements from all modes of transportation.

In a departure from the usual mall design, Great Mall's circulation system is designed as a continuous 0.7-mile-long loop, or "racetrack," in order to maximize use of space within the existing footprint of the assembly plant. The loop allows for easy and equal access to a large number of anchor and in-line stores and helps to eliminate low-traffic "cold spots." The great length of the loop, however, has proven frustrating to some shoppers, who on customer response forms have indicated the desire for a "cut-through" to facilitate access through the mall to particular shops.

OWNERSHIP AND FINANCING

Ford Motor Land Development Corporation (Ford Land), owner and joint developer of Great Mall of the Bay Area, is the real estate branch of Ford Motor Company. It is involved in development, management, acquisition, and sale of land and facilities for Ford worldwide. Since its inception in 1970, Ford Land has been the developer of the 2,360-acre Fairlane mixed-use project in Dearborn, Michigan; Detroit's Renaissance Center; and other major projects.

Petrie Dierman Kughn, codeveloper of Great Mall, specializes in the development, leasing, and management of shopping centers. Over the past eight years, the McLean, Virginia, company has developed or codeveloped more than five million square feet of retail projects, including City Place (Silver Spring, Maryland) and the Center at Salisbury (Salisbury, Maryland).

Development of Great Mall was financed primarily by Ford. Ford Land contributed the site and building and financed the construction through Ford Holdings, a Ford Motor Company subsidiary. The Ford Holdings loan is a seven-year mini-perm covering construction and approximately five years of operations. The only outside source of funds was a pledge of $8.5 million in sales tax revenues, allocated by the city of Milpitas to pay for off-site improvements costs. Through a sales tax revenue sharing agreement, 50 percent of the incremental sales tax revenues generated by the project are devoted to repaying the $8.5 million (plus interest) fronted by the developer.

LEASING, MARKETING, AND MANAGEMENT

Great Mall was 68 percent leased at its opening in fall 1994; occupancy in 1997 was approximately 85 percent. Leasing has been challenging because of what Ford Land's Ridner calls "sensitivity issues." Some retailers, according to Ridner, have been ambivalent about outlet retailing and value centers. Some have questioned whether having an outlet in Great Mall could interfere with sales at their traditional stores in nearby conventional malls, and others have requested that their company name not be used in mall advertising out of concern for their relationships with the traditional department stores that also carry their goods.

The mall reaches out to the entire Bay Area, including the San Jose, San Francisco, and Oakland markets, through TV, radio, and direct mail advertising. Says John Petersen, general manager of Great Mall, the message is an appeal to values: "Now, anybody can afford to look like a million bucks."

Beyond the usual advertising media, Great Mall also appeals directly to tourists. The Great Mall marketing department works directly with tour operators and advertises in hotel and tourist publications. In addition, the mall has an annual reception for concierges and tour operators. Notes Petersen, "You have to sell the sales people." The effort has proven quite successful: in 1996 approximately 800 busloads of shoppers were enticed to visit Great Mall.

Approximately 60 percent of these tour groups were Japanese visitors.

In another innovation, the marketing department is reaching out to "cybershoppers." During the holiday season the mall operates its ASAP! program (A Shopping Assistance Program), through which shoppers can visit Great Mall's Web site via the Internet. Shoppers can electronically submit information about whom they are shopping for, and Great Mall's personal shoppers will e-mail back gift suggestions from Great Mall stores within 24 hours.

Great Mall's information-age savvy is displayed on site as well. Sixty-eight TV monitors are located throughout the mall, showing video loops produced in house by the mall media department. Some of the segments are produced in an on-site studio, although most are filmed directly in the tenant spaces.

Security provisions at the mall are extensive. Sixty-five CCTV cameras scan the mall, inside and out; a monitoring panel and dispatch unit is staffed 24 hours a day. In addition, the Milpitas police department has a substation in the mall that is staffed on weekends and holidays. The police department also provides foot and squad-car patrols on mall grounds. According to general manager Petersen, the investment in preventive security measures is worth the cost. The police presence deters vandalism and crime, and the CCTV system, while costly, pays for itself over time by allowing for fewer security personnel.

EXPERIENCE GAINED

- Working with an existing building, while offering economic and environmental benefits, presents a whole new set of challenges. Because it is sometimes difficult to predict accurately the extent or difficulty of renovation work required, additional leeway, both in terms of budget and time, should be built into planning for this kind of project.
- Also worthy of further consideration is the difficulty of phasing development in a renovation project like Great Mall. Unlike at many new outlet centers, which add space as demand warrants, at Great Mall the entire perimeter skin of the assembly plant had to be renovated and a high level of interior improvements completed before opening day in order to create the desired environment and image.
- Overall, the experience at Great Mall hints at the promise in reusing the increasing stock of surplus industrial property in the United States. Like Great Mall of the Bay Area, many of these properties—outdated but well-located—have intrinsic economic value and can be reconditioned, providing environmentally efficient and economically profitable service.

PROJECT DATA

LAND USE INFORMATION

Site area: 106.34 acres + 40.54 acres of outparcels = 146.88 acres total
Gross building area (GBA): 1,548,171 square feet
Gross leasable area (GLA): 1,247,662 square feet
Total parking spaces: 6,352 surface spaces

LAND USE PLAN[1]

Use	Acres	Percent of site
Buildings	35.54	33.42
Paved areas	51.96	48.86
Landscaped areas	15.95	15.00
Other	2.89	2.72
Total	106.34	100

[1]Excluding outparcels.

RETAIL TENANT INFORMATION

Major tenants	Space occupied (square feet)
Off 5th (Saks 5th Avenue)	25,250
Burlington Coat Factory	81,656
Old Navy Clothing Company	20,134
Group USA	20,847
Oshman's Supersports	84,982
Media Play	49,409
Wonder Park	29,500
Totally for Kids	52,554
Marshall's Superstore	52,504
Linens & Things	42,327

DEVELOPMENT COST INFORMATION

Site acquisition: $33,900,000
Site improvement costs: $9,770,000 ($1,270,000 + $8,500,000 city financed)

Hard costs
Mall/box fit-up/site work/demolition: $47,951,000
Anchor store fit-up/allowances: 25,332,000
Seismic and roof repairs: 8,041,000
Theme courts: 3,354,000
Security system: 436,000
Test borings: 263,000
Other: 706,000
Total hard costs: $86,083,000

Soft costs
Architectural/mechanical/electrical/engineering: $3,896,000
Marketing: 2,602,000
Developers' fee: 4,000,000
Legal/accounting: 6,208,000
Taxes/insurance: 1,127,000
Title fees: 37,000
Construction interest: 4,730,000
Other: 1,978,000
Total soft costs: $24,578,000

Total development cost: $154,331,000

OPERATING EXPENSES

Taxes: $2,000,000
Insurance: 425,000
Maintenance/janitorial: 1,260,000
Utilities: 300,000
Management: 1,225,000
Marketing/advertising/promotions/tourism: 1,800,000
Total: $7,010,000

Average length of lease: six to seven years
Typical lease provisions: standard
Annual rents: $18 to $30 per square foot (in-line stores)
Average annual sales: $228 per square foot

DEVELOPMENT SCHEDULE

Site purchased: February 1989
Planning started: Fall 1992
Approvals obtained: Spring 1993
Construction started: Summer 1993
Leasing started: Spring 1993
Project opened: September 1994

DIRECTIONS

From San Jose Airport: 101 South to 880 North; exit at Great Mall Parkway East; proceed one-quarter mile to mall.

Driving time: ten minutes in non-peak traffic.

Steve Fader, Report Author
David Mulvihill, Editor, Online Project Reference File
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This Development Case Study is intended as a resource for subscribers in improving the quality of future projects. Data contained herein were made available by the project's development team and constitute a report on, not an endorsement of, the project by ULI-the Urban Land Institute.

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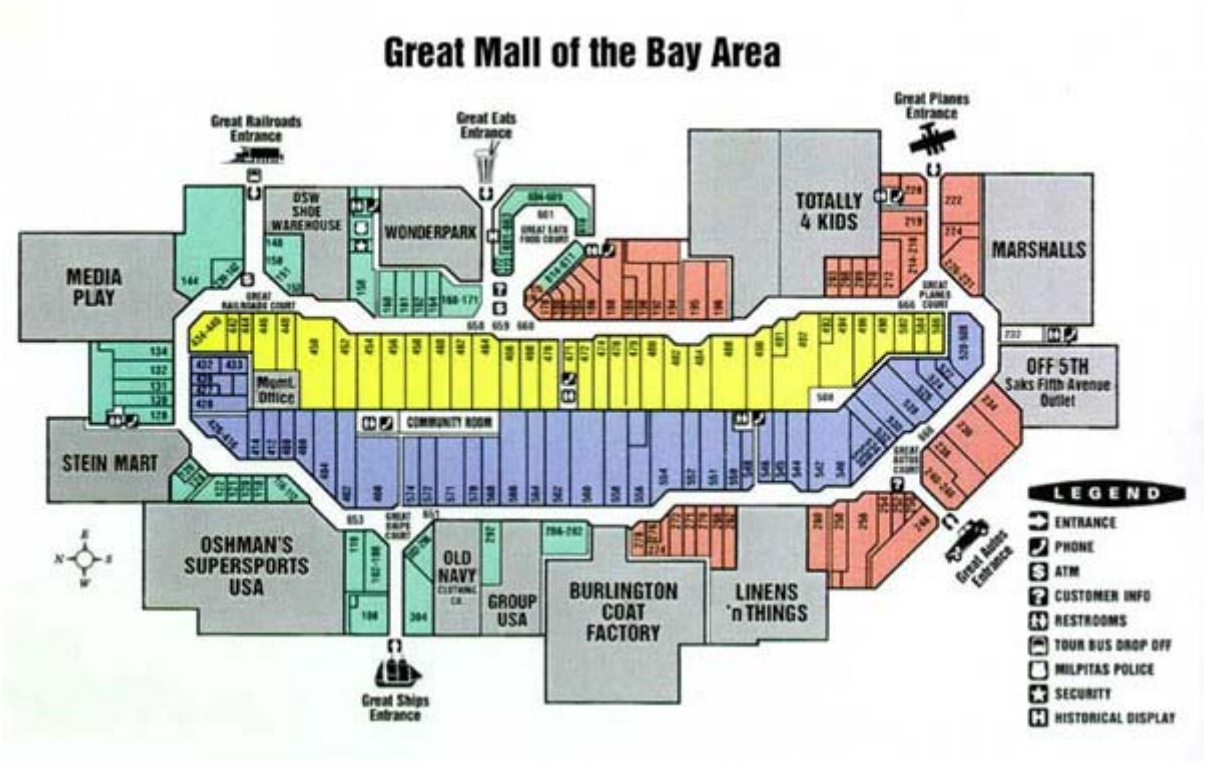
While the site provided ample space for parking areas, the potential parking field on the main entrance side was too narrow. To widen the area, the southwest corner of the assembly plant was sheared off.

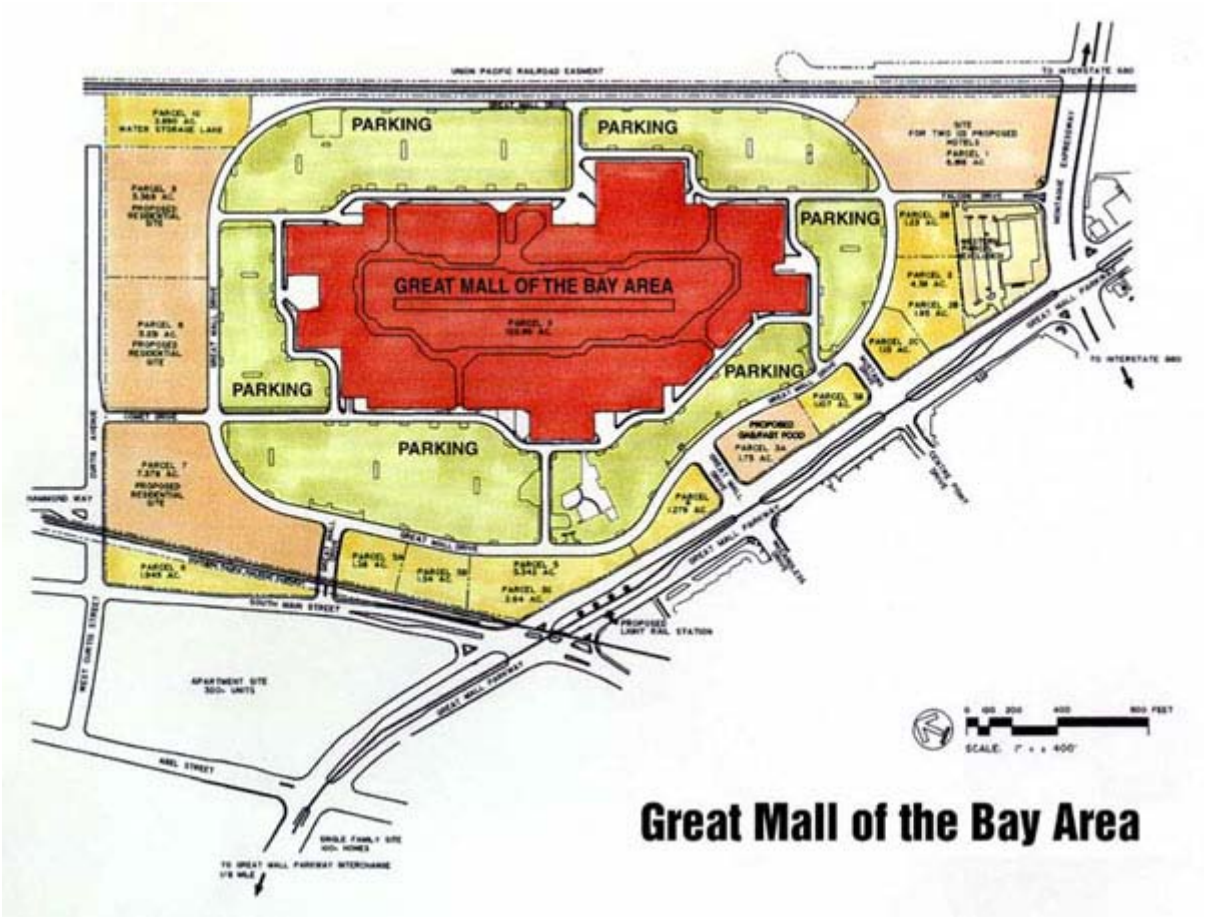
The center's five major entrances are each tied to the theme of the court within. The five themes-"Great Autos," "Great Railroads," "Great Ships," "Great planes," and "Great Eats"-are called out with tall space-frame structures with large graphic panels.

Supporting elements of the Great Autos court include seating groups composed of bucket and bench-style car seats, original Coke machines, 1950s-style gasoline pumps, and other period details.

The original exterior concrete tilt-up panels with punched windows were not considered attractive enough for a shopping mall. Outer panels were removed and replaced with a metal stud structure that was then finished with a combination of synthetic stucco and painted, corrugated metal panels.


Great Mall of the Bay Area
Great Railroads Entrance
Great Eats Entrance
Great Planes Entrance
MEDIA PLAY
DSW SHOE WAREHOUSE
WONDERPARK
TOTALLY 4 KIDS
MARSHALLS
OFF 5TH Saks Fifth Avenue Outlet
Mgmt. Office
COMMUNITY ROOM
STEIN MART
OSHMAN'S SUPERSPORTS USA
OLD NAVY
GROUP USA
BURLINGTON COAT FACTORY
LINENS 'n THINGS
Great Autos Entrance
Great Ships Entrance
LEGEND
ENTRANCE
PHONE
ATM
CUSTOMER INFO
RESTROOMS
TOUR BUS DROP OFF
MILPITAS POLICE
SECURITY
HISTORICAL DISPLAY

Mall Layout.


PARKING
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GREAT MALL OF THE BAY AREA
Great Mall of the Bay Area

Site plan.